The **main negative impacts** are the most significant negative impacts of investment decisions on sustainability factors related to environmental, social and labour issues, respect for human rights, and combating corruption and bribery.

**Name of the product:**

Mandarine Funds - Mandarine Social Leaders (the "Fund")

**Legal entity identifier:**

LEI: 549300EV1PEKNIMKMI61

# Environmental and/or social characteristics

| Does this financial product have a sustainable investment objective? | |
|---|---|
| ☒Yes | ☐No |
| ☐It will make a minimum proportion of sustainable investments with an environmental objective<br><br>☐In economic activities that qualify as environmentally sustainable under the EU taxonomy<br><br>☐In economic activities that do not qualify as environmentally sustainable under the EU taxonomy<br><br>☒It will make a minimum proportion of sustainable investments with a social objective: 90% | ☐It promotes Environmental and Social (E/S) characteristics and, while it does not have a sustainable investment as its objective, it will have a minimum proportion of sustainable investments<br><br>☐With an environmental objective in economic activities that qualify as environmentally sustainable under the EU taxonomy<br><br>☐With an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU taxonomy<br><br>☐With a social objective<br><br>☐It promotes E/S features, but will not make sustainable investments |

The **EU taxonomy** is a classification system established by Regulation (EU) 2020/852, which listsenvironmentally sustainable economic activities. This regulation does not list socially sustainable economic activities. Sustainable investments with an environmental objective are not necessarily aligned with the taxonomy.

**What is the sustainable investment objective of this financial product?**

The Fund seeks to invest in growth style companies in the euro area with higher social and governance standards than the rest of the investment universe. In particular, the objective is to ensure positive externalities towards all stakeholders in the value chain of the selected issuers, ranging from the well-being of individuals to the respect of the community by measuring the social responsibility of the invested companies towards their entire ecosystem.

The **sustainability indicators** measure how the sustainability objectives of this financial product are achieved.

Thus, the Fund will only invest in issuers qualified as socially sustainable because of:

Their positive impact on individuals:
Employee protection system, recruitment policy, extent of good practice in the value chain, employee training, employee turnover, recruitment policy, distribution of value within the workforce, staff training, functioning and effectiveness of the nomination and remuneration committee, diversity of board composition, etc.);

Their positive impact on the community:
The provision of eco-responsible solutions, impact of the value chain and the business on the environment, supply chain analysis, involvement of local communities, anti-corruption policy, whistleblowing policy, etc.).

The Fund will also track a series of impact indicators designed to monitor the Fund's extra-financial performance in terms of human resources controversy, employee turnover, management or gender diversity, carbon footprint, etc.

The aim of the Sub-Fund is to provide investors with long-term capital growth from a diversified portfolio and to achieve and outperform the EURO STOXX® Net Return (EUR) by selecting, through an active stock-picking strategy, companies in the euro area that meet positive ESG criteria and have an above-average growth profile. The management style is discretionary and the investment universe is not based on any index.

**Sustainable Investment** The Fund is committed to ensuring that all issuers invested in by the Fund qualify as sustainable. To do this, the Fund benefits from an extra-financial rating of the issuers in its investment universe.

The construction of this rating is based on the proprietary ESG-View system, which is based on four pillars: Environment (E), Social (S), Governance (G) and Stakeholders (SH). The analysis of the extra-financial indicators that make up the pillars results in a score ("**ESG-View Score**") for each pillar, ranging from -2 to +2.Sustainable investment is subject to a regulatory definition, according to the provisions of the SFDR regulation. It corresponds to an investment in an economic activity:

1) Contributing significantly to an environmental (taxonomy or not) or social objective,
2) Provided that these investments do not cause significant harm to any of any of these objectives ("Do Not Significantly Harm" or DNSH principle),
3) and that the companies in which investments are made apply good governance practices.

Economic activities that qualify as sustainable investments must verify points 1 to 3 above, as follows:

1) **Significant contribution**: The issuer's ESG-View Score must be strictly above average, i.e. 0 for a score between -2 and +2, on the E or S pillar, in order to be considered as contributing significantly to an E or S objective.
2) **No significant harm**:
   a. The absence of significant detriment to other sustainable objectives is verified by requiring an ESG-View Score above -1 on both pillars E and S for a score between -2 and +2. The ESG-View Score includes indicators relating to the main negative impacts on each of the E and S pillars, enabling the management company to ensure that the economic activity being invested in complies with the DNSH principle.
   b. For issuers passing this first filter, all 14 indicators relating to the Principal Adverse Impact (PAI) defined by the regulation are analysed, as well as those (at least two) of the 26 optional indicators that are relevant. Thresholds are defined for each of these indicators and crossing a threshold is considered as an alert, leading to the need for a specific analysis by an ESG analyst, which will lead to the acceptance or refusal of the issuer's sustainable investment status.

**Good governance**: Finally, the eligible issuer will have to achieve an ESG-View Governance Score above -1 to ensure that it applies certain minimum standards.
**Exclusions based on sectors and values** Exclusion filters are applied to the portfolio construction process to restrict investments in companies and issuers that have significant exposure to certain activities that may be detrimental to the environment or society at large:
- Any direct investment in companies involved in the manufacture, trade, stockpiling or services for anti-personnel mines, cluster bombs, in accordance with the Ottawa and Oslo Treaty;
- Companies producing, stockpiling or trading in chemical, biological and depleted uranium weapons;
- Companies that seriously and repeatedly violate one or more of the 10 principles of the UN Global Compact;
- The companies which are subject to the most serious controversies (severity level 5 on a scale of 1 to 5);
- Companies or sectors considered to be particularly exposed to sustainability risk;

- 20% of the universe with the lowest ratings according to a Best-in-Universe approach;
- Issuers whose Social Leaders® score is below 0.

**Benchmark**: The Benchmark Indices used by the Fund is not “EU Paris-Aligned and Climate Transition-Benchmark”, whether it is a Climate Transition Benchmark “CTB” index of climate transition or Paris Aligned Benchmark "PAB" index aligned with the Paris Agreement.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

To measure the achievement of environmental or social characteristics, the manager will use the following indicators, where relevant data is available.

To qualify as a sustainable investment, all issuers are evaluated on the basis of Mandarine Gestion's own ESG View ® rating. This is based on four scores attributed by the proprietary ESG view tool on each of the Environmental ("E"), Social ("S"), Governance ("G") and Stakeholder ("PP") pillars. This rating enables:
- the identification of the significant contribution to a sustainable objective on the 'E' or 'S' pillar;
- to qualify the absence of significant harm to the other "E" or "S" objective;
- to ensure a minimum of compliance with governance principles.

Once the issuer's sustainability credentials have been identified, the issuer must also have passed a “*Best in Universe”* filter eliminating the lowest rated 20% of the investable universe. The Social Leaders® score assesses issuers from -2 to +2. Issuers with a negative Social Leaders® score will be excluded from the investment universe.

This score is based on two pillars, grouping two types of indicators: Positive impact on individuals and positive impact on the community.

<u>Positive impact on individuals:</u>
Employee protection system, recruitment policy, extent of good practice in the value chain, employee training, employee turnover, recruitment policy, distribution of value within the workforce, staff training, functioning and effectiveness of the nomination and remuneration committee, diversity of board composition, etc.)

<u>Positive impact on the community:</u>
The provision of eco-responsible solutions, impact of the value chain and the business on the environment, supply chain analysis, involvement of local communities, anti-corruption policy, whistleblowing policy, etc.)

The Fund also monitors and publishes several ex-post impact indicators of its portfolio:

**Human resources controversies** This indicator analyses incidents of human rights violations in the company's operations. It includes:
- incidents of forced and child labour in the company's own operations
- violations relating to remuneration and working conditions (i.e. wages) raised by the company's own employees
- incidents related to the company's activities that have a negative impact on the health and safety of workers (occupational accidents, health hazards, contamination, endangering the safety of employees).

**Human capital indicators** The Fund analyses annual employee turnover, hours of employee training and the percentage of companies with employee share-ownership schemes.

**Gender diversity** The proportion of women in the workforce and management is compared to the benchmark.

**Carbon footprint** The Fund tracks its carbon impact in comparison to the benchmark. It is expressed in tonnes of $CO_2$ equivalent per million euros invested.

**Board diversity** This indicator reflects the weight of independent directors in the collegial management body of invested companies. It is expressed as a percentage and is compared to the benchmark.

**Fossil fuel policy** The Fund monitors its exposure to fossil fuels in accordance with the management company's dedicated internal policy.
Issuers concerned: The gas, oil and coal sectors, both upstream/midstream and downstream and from the first euro of turnover or capital employed.

Engagements: Shareholder engagement, in particular by checking the consistency of the divestment scenarios of the issuers concerned. The managers are systematically alerted to the level of exposure of eligible issuers in their investment universe. The assessment of exposure to fossil fuels is also carried out at the level of all the investments of the management company.

With regard to coal, the management company is committed to the cessation of all investments in funds managed by Mandarine Gestion by 2030.

**Alignment with the Paris agreements and temperature of the Fund** The 2°C alignment strategy is measured. It is expressed as a % of companies that have submitted a scenario that meets the Paris Agreement's 2°C alignment trajectory and is compared to the benchmark.

- **To what extent do sustainable investments not cause significant harm to an environmentally or socially sustainable investment objective?**

The Fund shall ensure that investments (other than investments in cash or cash equivalents and derivatives held for hedging purposes) do not have a significant negative impact on one or more environmental and social objectives.

To this end, all issuers that qualify as sustainable investments are assessed on the basis of an Extra-Financial Rating that takes into account the following main negative impacts:

| | |
|---|---|
| Greenhouse gas (GHG) emissions | 1. Greenhouse gas emissions;<br>2. Carbon footprint;<br>3. Greenhouse gas emission intensity of invested companies;<br>4. Exposure to companies operating in the fossil fuel sector;<br>5. Share of non-renewable energy consumption and production;<br>6. Energy consumption intensity by high climate impact sectors; |
| Biodiversity | 7. Activity with a negative impact on biodiversity-sensitive areas |
| Water | 8. Activity with a negative impact on water |
| Waste | 9. Ratio of hazardous waste |
| Social and employee issues | 10. Violation of the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises;<br>11. Lack of monitoring and compliance with point 10. ;<br>12. Unadjusted gender pay gap;<br>13. Gender balance on the board of directors;<br>14. Exposure to controversial weapons. |

The **main negative impacts** are the most significant negative impacts of investment decisions on sustainability factors related to environmental, social and labour issues, respect for human rights, and combating corruption and bribery.

- **How have the indicators concerning adverse impacts on sustainability factors been taken into account?**

The main negative impacts of each of the issuers in the portfolio are analysed and taken into account at the time of the investment decision, in particular to ensure that the issuers do not significantly harm environmental and/or social objectives.

In particular, within the Extra-Financial Rating, a specific score is given on the 14 indicators listed above in order to identify the level of negative impact of an issuer's activity on sustainable investment objectives.

In addition, the Fund takes into account the sustainability risks implemented at the level of the management company through its sustainability policy (available here). At Fund level, risk analysis may lead to the exclusion of particularly exposed issuers, whether or not they are already in the portfolio.

The management company has set up an indicator called "SSRI" (Synthetic Sustainability Risk Indicator) for each investment in the portfolios, which is divided into five parts:

- Company risk exposure, which is mainly a function of the risks associated with its sector of activity;
- The portion of risk exposure that may be taken on by the company;
- The portion of risk exposure taken on by the company;
- The portion of unhedged risk that can be taken on by the company;
- And finally the portion of unhedged risk that cannot be taken on by the company.

The figure used by the management company is the net risk carried by the issuer, i.e. its gross risk exposure (Company exposure below) minus an amount corresponding to the risk covered by the company (Managed risk).

Fund-level monitoring is then applied on the basis of aggregated scores.

- **How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?**

Alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is tested and ensured through the process of identifying sustainable investments.

In fact, the analysis of compliance with the OECD Guidelines is an integral part of the definition of sustainable investment activities.

In addition, the OECD principles and the UN guidelines are taken into account in the analysis of key negative impacts, which is an integral part of the analysis of the sustainability of issuers.

- **Does this financial product address the main negative impacts on sustainability factors?**

☒Yes

☐No

The negative impacts of investments on sustainability factors are taken into account in their own right in the investment process. Negative impacts are described in the question and sub-questions "To what extent do the sustainable investments that the financial product intends to partially achieve not cause significant harm to an environmentally or socially sustainable investment objective?".

**What investment strategy does this financial product follow?**

The **investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The aim of the Sub-Fund is to provide investors with long-term capital growth from a diversified portfolio and to achieve and outperform the EURO STOXX® Net Return (EUR) by selecting, through an active stock-picking strategy, companies in the euro area that meet positive ESG criteria and have an above-average growth profile.

To achieve this objective, the Fund pursues the following investment strategy:

1. Definition of the investable universe:
   a. Start: Euro area equities of all capitalisations
   b. Exclusions:
      i. via the ESG filter according to a Best-in-Universe approach: exclusion of issuers with the worst rating, i.e. 20% of the investment universe (issuers rated E on a scale from A to E);
      ii. via the Social Leaders® filter: issuers rated -2 to +2 with a negative Social Leaders® score are excluded from the investable universe;
2. Bottom-up stock selection: selection of companies, from amongst those with a positive impact, which have above-average earnings prospects based on
   a. qualitative criteria: identification of growth drivers or catalysts, quality of management and teams, positioning of the company within its sector, etc.
   b. quantitative criteria: organic growth in turnover and operating profitability; size of the addressable market and evolution of market shares, etc.)

For further information on the general policy, please refer to the general investment policy in the "Investment Objectives" section of the Fund factsheet.

- **What are the constraining elements of the investment strategy used to select investments to achieve the investment objective?**

The Fund also implements a "group" exclusion related to:

- Companies exposed to controversial weapons;
- Companies commit a serious or repeated violation of one or more of the 10 principles of the UN Global Compact;
- The most controversial companies (severity level 5 on a scale of 1 to 5). In fact, controversies are an integral part of the ESG evaluation of the companies in which the Fund invests. Mandarine Gestion's ESG expertise centre carries out bi-monthly monitoring of controversies that may affect the reputation of companies in the portfolio. It is based in particular on the research work of the non-financial rating agency Sustainalytics, which ranks the level of seriousness of controversies on a scale from 1 to 5. Companies exposed to level 5 controversies are systematically excluded.

| Niveau de controverse | Malus appliqué |
|---|---|
| Niveau 3 | -0,25 |
| Niveau 4 | -0,50 |
| Niveau 5 | -0,75 |

In addition, there are the specific constraints of the Fund:

- The Extra-Financial Rating on the definition of sustainable investment:
- The "Best in Universe" classification eliminating 20% of the investment universe;
- Social Leaders score, eliminating issuers with a negative rating.

Good governance practices relate to sound management structures, staff relations, staff remuneration and compliance with tax obligations.

○ **What is the policy to assess good governance practices of the investee companies?**

The analysis of the good governance practices of the invested entities is taken into account at several levels of the portfolio construction process:

✓ Prior to investment, governance is taken into account in the rating of the company eligible for investment. The rating is particularly influenced by criteria such as the composition and functioning of the board of directors, remuneration policy and distribution among employees, treatment of shareholders and dialogue, internal anti-corruption and anti-money laundering policies (...).

✓ In addition, the quality of the governance practices of the entities invested by the fund may also influence the rating of the companies. Indeed, the outcome of the shareholder dialogue between the Fund's teams and the company's representatives may lead to the adoption of malus or bonus on the ESG rating.

**What is the asset allocation planned for this financial product?**

The expected asset allocation for this financial product is as follows: the percentage of portfolio assets aligned with the E/S characteristics is 90%.

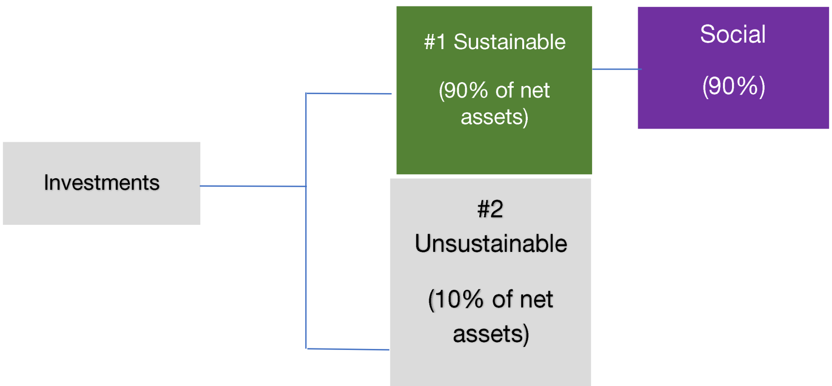
The **asset allocation** describes the share of investments in specific assets.

Activities aligned with the taxonomy are expressed as a percentage:

**of turnover** to reflect the share of revenue from green activities of the investee companies;

of **capital expenditure** (CapEx) to show the green investments made by the investee companies, for the transition to a green economy for example;

of **operating** expenses (OpEx) to reflect the green operational activities of the investee companies.




The category **#1 Aligned with E/S characteristics** includes investments in the financial product that are used to achieve the environmental or social characteristics promoted by the financial product.

The category **#2 Other** includes the remaining investments of the financial product that are neither aligned with environmental or social characteristics nor considered as sustainable investments.

The category **#1 Aligned with E/S characteristics** includes:

- the sub-category **#1A Sustainable** covering sustainable investments with environmental or social objectives;
- the sub-category **#1B Other E/S characteristics** covering investments aligned with environmental or social characteristics that are not considered sustainable investments.

The asset allocation is likely to change over time and the percentages should be considered as averages over long periods of time. Calculations may be based on incomplete or fragmentary data from the company or third parties.

**How does the use of derivatives achieve the objective of sustainable investment?**

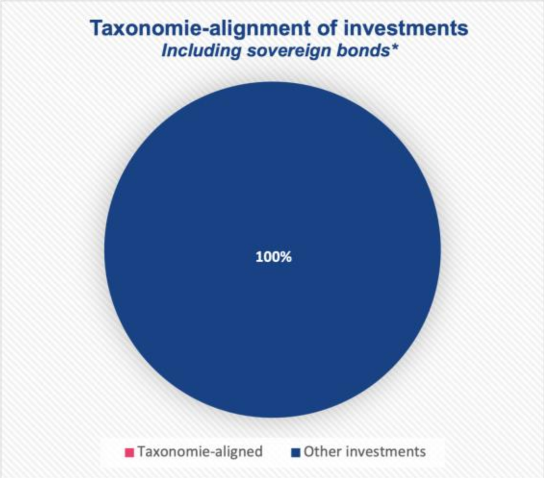
N/A

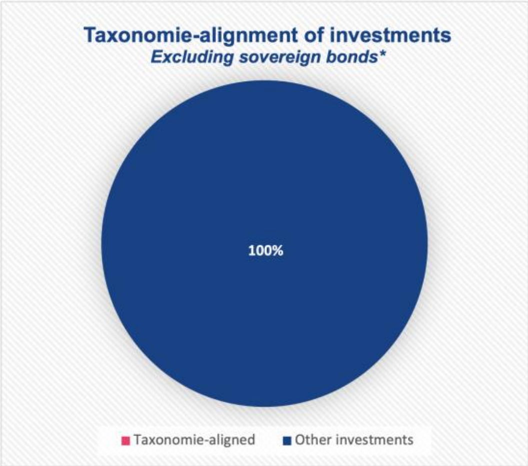
**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Fund aims to select socially sustainable investments.

Sufficiently reliable data on taxonomy alignment is scarce and data coverage remains too low to support a meaningful commitment to a minimum proportion of taxonomy-aligned investments in this fund. It cannot be excluded that some of the fund's holdings may qualify as taxonomy-aligned investments. The information to be provided and the reporting on alignment with the taxonomy will develop as the European framework evolves and company data becomes available.

***The two graphs below show in green the minimum percentage of investments aligned with the EU taxonomy. As there is no appropriate methodology to determine the taxonomy alignment of sovereign bonds*, the first graph shows the taxonomy alignment with respect to all investments in the financial product, including sovereign bonds, while the second graph represents the taxonomy alignment only with respect to investments in the financial product other than sovereign bonds.***




*For the purposes of these charts, "sovereign bonds" include all sovereign exposures.

The **enabling activities** directly allow other activities to make a substantial contribution to the achievement of an environmental objective.

The **transitional activities** are activities for which low-carbon alternatives are not yet available and, among others, whose greenhouse gas emission levels correspond to the best achievable performances.

The symbol represents sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU taxonomy.

***What is the minimum share of investment in transitional and enabling activities?***

There is no commitment regarding a minimum proportion of investment in transitional and enabling activities.

**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU taxonomy?**

The Fund may invest in economic activities that are not yet eligible as socially sustainable economic activities or for which technical standards are not yet finalised. Company data on alignment with the European taxonomy is not yet widely available in the information published by investee companies. However, some investments may be linked to environmental objectives due to their contribution to the United Nations' SDGs.

**What is the minimum share of socially sustainable investments?**

The minimum share of socially sustainable investments is 90% of the Fund's net assets.

**What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?**

#2 "non-sustainable" assets represent a maximum of 10%; these are cash, possible UCIs including MMFs. The Fund may use derivatives, for example, for hedging purposes or to manage investments in issuers listed in a currency other than the Fund's reference currency (i.e: USD, GBP, CHF, etc.).

**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

The Fund does not have a reference benchmark aligned with the E/S characteristics it promotes. N/A

The **reference benchmark** are indices that measure whether the financial product achieves the environmental or social characteristics it promotes.

***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

The Fund does not have a reference benchmark aligned with the E/S characteristics it promotes. N/A

***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

The Fund does not have a reference benchmark aligned with the E/S characteristics it promotes. N/A

***How does the designated index differ from a relevant broad market index?***

The Fund does not have a reference benchmark aligned with the E/S characteristics it promotes. N/A

***Where can the methodology used for the calculation of the designated index be found?***

The Fund does not have a reference benchmark aligned with the E/S characteristics it promotes. N/A

**Where can I find more product specific information online? More information on the product is available on the website:**
More information can be found on our website, in particular:

- the transparency code (https://www.mandarine-gestion.com/FR/fr/docs/funds/mandarine-social-leaders/TRANSPARENCY),
- sustainability policy (https://www.mandarine-gestion.com/uploads/reg/reg_mandarine_durabilite-politique_en.pdf),